

**Power without Efficacy:  
The Decline of the American Corporate Elite \***

Mark S. Mizruchi

University of Michigan

August 2007; rough draft; comments are welcome; feel free to cite and/or quote, but please be aware that this is a very rough draft.

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\*This essay represents a brief summary of the basis of a book manuscript of the same title, currently in progress. Please direct correspondence to Mark Mizruchi, Department of Sociology, University of Michigan, Ann Arbor, MI, 48109-1382, phone (734) 764-7444, FAX (734) 763-6887, email mizruchi@umich.edu.

## **ABSTRACT**

I argue that the organization of the American corporate elite underwent a transformation between the early 1970s and the turn of the twenty-first century. For the first three decades after World War II, the corporate elite adopted a pragmatic, accommodationist, approach, in which it accepted the reality of (and was constrained by) a relatively activist state, a relatively strong labor movement, and a financial community that oversaw and mediated disputes across industries. As the 1970s progressed, the corporate elite moved to limit the power of the state and of labor, and by the early 1980s they succeeded. Then, in the 1980s, the power of commercial banks began to decline. Finally, the takeover wave of the 1980s led corporate leaders to shift their concerns away from those of business as a whole toward the short-term performance of their particular firms. With no external forces to discipline its members, the corporate elite has become fragmented, narrowly self-interested, and unable (or unwilling) to act collectively to address the problems of American society in a way that its forerunners did in previous years.

In a well-known essay, the distinguished political scientist Robert Dahl (1958) argued that for a group to be powerful, two things were necessary. The group had to be well-endowed with resources, and the group had to be unified. This idea—that unity begets power—has become a staple of political thought, and a fundamental dictum among students of social movements. “The people, united, can never be defeated” is among the most widely cited chants at political demonstrations. “Solidarity forever” is seen as mattering, for a reason.

The idea that unity is necessary for power has been applied far beyond the realm of insurgent social movements. Political parties, for example, fear hotly contested primary elections, out of concern that such divisiveness will lead to weakness in the general election. Highly competitive industries have lower profit margins than do highly concentrated ones. Even among resource-rich groups, unity is viewed as a necessary condition for effectiveness. As Schumpeter famously argued (1942), the divisions among the elites who control the political life of developed capitalist societies—what Galbraith (1952) called “countervailing power”—create the conditions for democracy.

There is now some question regarding the extent to which the unity-power association actually exists. Evidence on the relation between cohesion and performance among military units is equivocal (Mullen and Copper, 1994). Other researchers have argued that diversity is beneficial to a group, even if it is accompanied by a certain degree of conflict (Page, 2007). In fact, Simmel (1955 [1923]) made a similar argument nearly a century ago. His idea that internal conflict can become a source of group strength served as the basis for one of the most important works of sociological theory in the mid-twentieth century, Lewis Coser’s *The Functions of Social Conflict* (1956).

Even if one believes that unity leads to power, however, is the converse true as well? Does the successful acquisition of power enable a group to maintain its unity? To what extent do the two correspond at all? In this paper, and the larger project from which it is drawn, I argue that the successful exercise of power may contribute to the subsequent fragmentation of a group. The success that resulted from a group’s prior solidarity may

be the very thing that pulls the group apart once its goals are attained. I illustrate this argument by tracing the organization, and dissolution, of the American corporate elite over the past three decades. I argue that although individual actors within the American business community during the first decade of the twenty-first century are more powerful than they have been at any time since the 1920s, the community as a collectivity is weak, and ineffectual. It is incapable of taking a unified position on significant political issues or social problems, its leadership either unwilling or unable to advance a coherent agenda in even its own interests, let alone those of the larger society.

In the 1960s critics of American business described the phenomenon of “corporate liberalism,” usually in pejorative terms. In the 1980s, Michael Useem (1984) wrote, in more sympathetic terms, of the “inner circle.” Both referred to a relatively small leading edge of the business community, whose vision transcended that of their particular firms and instead emphasized concerns about the viability of the system as a whole. There was an understanding that business existed in a larger world, and that the success of one was contingent on the success in the other. I shall argue that no such vision exists today. The purpose of this study is to explain how this happened.

## **THE POSTWAR LIBERAL CONSENSUS**

A leading segment of the corporate community arose in the post-World War II United States to address a series of crucial national issues, including the economy, the Cold War, poverty, and race relations. This was not the first time that American business had organized. The National Civic Federation, founded in 1900, developed a series of suggestions for dealing with the some of the deleterious consequences of the rise of corporate capitalism at the turn of the twentieth century (Weinstein, 1968). The postwar effort was equally serious. Concern was high that with the end of the War, the economy would once again sink into a depression similar to that during the 1930s. Meanwhile, the Soviet Union had emerged as a potential superpower and a challenger to the international dominance of the United States that had solidified at the end of the War. Individual firms and industries had their own interests, of course, but as in the earlier part of the century,

many corporate leaders believed that something larger was needed; in particular, a series of organizations, consisting of elites, that would define issues and policies in a manner consistent with the national interest, as they saw it. The result, epitomized by organizations such as the Committee for Economic Development (CED) and the Council on Foreign Relations (CFR), was a group consisting primarily of leaders from the corporate world, who, looking beyond their own parochial interests, constructed a blueprint for social policy, from a perspective later referred to as “corporate liberalism” (Domhoff, 2006; Weinstein, 1968).

Corporate liberalism was at its basis an accommodationist approach. Among its tenets were acceptance of the role of the state in regulating business and providing support for social welfare, acceptance of the legitimate role of labor unions in the operations of their firms, and general, albeit cautious, support for civil rights and the poor. These elites did not hold these views out of a sense of altruism. They were not a group of “do-gooder” liberals who supported government regulation, labor unions, and civil rights to assuage their guilty consciences, or out of a sense of moral obligation (although some may have had a sense of *noblesse oblige*). On the contrary, they believed that for the system from which they benefited to function smoothly, certain compromises were necessary. The Committee for Economic Development (CED), for example, issued a position statement in 1971 that emphasized the importance of “enlightened self-interest,” in which “corporate well-being is promoted by social well-being” (Frederick, 1981:21). Although the report stressed the importance of “social voluntarism,” or what is today known as corporate philanthropy, it also asserted that voluntarism by itself was insufficient to solve the problems facing the society. The group therefore called for a “government-business partnership” to address these problems, which included education, employment and training, civil rights and equal opportunity, and pollution abatement (ibid; see also Domhoff, 2006:99).

There is no need to assume that the CED’s relatively moderate views about solving societal problems represented deeply held convictions. Most business leaders at the time would likely have been happy to shift the burden of taxes from corporations and the wealthy toward the working class. In an ideal world, they would have preferred there to be no labor unions. Had African-Americans not begun to press for full inclusion into

the societal mainstream, these corporate leaders might have been happy to have them remain in their subjugated state. Pragmatically, however, these corporate leaders believed that it was necessary to deal with reality as it existed. State regulation of the economy was necessary, they believed, even if it meant government subsidies for the poor. Labor unions were here to stay, and had the backing of laws designed to protect their right to organize. The expansion of citizenship rights to African-Americans was an important tool of the Cold War, since the Soviet Union, in its quest to win the loyalty of developing nations, had used the treatment of black Americans as an illustration of the hypocrisy of the American system. A composite of CED position papers from the postwar period to the early 1970s reveals a series of policy recommendations that would be considered quite liberal by the standards of the 2000s.<sup>1</sup>

Not all corporations supported the views of these relatively liberal elites. Small businesses, as well as larger firms organized into the National Association of Manufacturers, held far more conservative views than did the members of the CED and CFR, and adopted a far more confrontational stance toward both labor and the state. The CED had remarkable influence, however, through both Democratic and Republican administrations. Three forces, I argue, helped maintain this pragmatic leading edge of the business community during these years: a relatively active state; a well-organized, and relatively powerful, labor movement; and the financial community, in particular, the large commercial banks.

The state provided regulation of the economy, through its taxing and spending policies, through its provision of welfare expenditures (which helped create effective demand for the products of American industry), and through its regulation of business with agencies such as the Federal Trade Commission and the Securities and Exchange Commission. American economic policy during the postwar period was dominated by a Keynesian model, in which the causes of the Depression were believed to be based in the chronic tendency in developed capitalist economies for demand to lag behind production. One solution to this problem was for the government to stimulate demand through transfer payments, including welfare, Social Security, and employment in state agencies.

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<sup>1</sup> For evidence documenting the relatively moderate views of corporate elites during this period, especially

Perhaps because the American economy experienced enormous success in the postwar period, a Keynesian consensus emerged among national political leaders and economic policy makers. This consensus culminated in President Nixon's statement, in 1971, that "we are all Keynesians now." In addition to its role in stimulating the economy, the state expanded its protection of the civil rights of minorities during this period, albeit slowly and selectively.

The labor movement kept business in check by imposing constraints on firms' actions. Although unions bargained separately with particular members of an industry, their industry-wide presence in core sectors led businesses to maintain a relatively stable industry-wide price structure, which prevented destructive competition. Union leaders also worked with corporations to ensure that more radical elements within their ranks were kept at bay. Corporations assisted the unions in this effort by agreeing to provide higher wages and benefits in exchange for labor peace, a pact that has been referred to as the postwar capital-labor accord. It is true that workers were sometimes less willing to accede to the demands of employers than were the leaders of their unions, especially during the late-1960s (Fairris, 1994), and it is also true that business continued to fight labor during this period, sometimes aggressively (Gross, 1995). Rarely did business question the right of unions to exist, however, nor was the dismantling of unions seen as even a remote possibility. Compared to the period that followed, relations between capital and labor were relatively benign during the postwar era.

The banks, meanwhile, held a unique position in the American economy. Given their high levels of internal funds, large nonfinancial corporations were relatively free from bank pressure in the postwar period, but they remained at least partly dependent on banks. Even General Motors, perhaps the world's wealthiest firm at the time, was forced to turn to banks to finance a major postwar expansion (Freeland, 2001). Even if the banks were not disproportionately powerful during this period, they played a role in mediating disputes across sectors, due to their neutral standing. Unlike members of specific industries, banks are concerned primarily with the condition of the economy as a whole. They will therefore allocate capital to sectors that they believe will provide the greatest returns, and are thus able to make decisions that ultimately maximize the benefits

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those with origins in the Northeast and Midwest, see Barton (1974-75; 1985).

for the system as a whole. Given the dependence of many firms on banks, the banks were also in a position to discipline individual capitalists who engaged in erratic or deviant behavior. The cases of James Ling and Saul Steinberg during the late 1960s provide examples of the banks stepping in to impose order (Mintz and Schwartz, 1985).

The consequence of these three forces—the state, labor, and the banks—was to constrain the leaders of the business community to act in a relatively pragmatic manner. This meant that business leaders on occasion supported policies such as tax increases to pay for social programs as well as to balance the budget and restrain inflation, and they were open to the expansion of civil rights and to selective increases in regulation. Their willingness to accept the role of the state and labor further strengthened these institutions, which increased the constraint that they exercised over business. Corporate leaders were able to accept this arrangement as long as profits remained strong. The assumption that workers' standard of living would continue to rise meant that business and labor alike could lend their support to this system.

## **THE DECLINE OF THE POSTWAR CONSENSUS**

This arrangement began to break down in the 1970s. High spending levels in the late 1960s, a result of a simultaneous increase in domestic social welfare spending and the cost of the Vietnam War, led to an increase in inflation. The emergence of foreign competition began, for the first time, to make a serious dent in the American economy. The energy crisis of 1973 plunged the nation into a recession, which led to the unprecedented simultaneous occurrence of high levels of both inflation and unemployment, a combination thought previously impossible by the dominant paradigm of Keynesian economics. Meanwhile, the aftermath of the protests over the Vietnam War, coupled with the Watergate scandal, created a significant crisis of legitimacy for most major institutions, including business. In addition, two new regulatory agencies, the Environmental Protection Agency (EPA) and the Occupational Health and Safety Administration (OSHA) were signed into existence by President Nixon, over the opposition of many leading corporations.



As the economy continued to stagnate during the 1970s, the corporate liberal consensus began to unravel. Viewing their very existence as threatened, business interests began a counteroffensive. A new organization, the Business Roundtable, was formed, consisting of chief executive officers (CEOs) of Fortune 800 corporations. Unlike the CED, whose members included academics and even labor leaders, and whose stated goal was to develop policies in the larger national interest, the Business Roundtable consisted only of businesspeople, and its explicit purpose was to act in the interest of business. Around the same time, a group of conservative foundations and think tanks was established (or existing ones were more heavily funded). As John Judis suggests (2001), rather than using avowedly “value-free” social science in the service of policy, as the CED and Brookings Institution had done, these think tanks produced research that advocated conservative political solutions.

The history of the business counteroffensive during the 1970s has been well-documented, and I have no intention of retelling the story here (for a small sample of available discussions, see Ferguson and Rogers, 1986; Judis, 2001; Vogel, 1989). I argue, however, that it represented the beginning of a long-term decline in the political organization of the American corporate elite. In the postwar period, the American corporate elite was characterized by a relatively cosmopolitan, long-term outlook, in which the leading edge of the corporate community proposed policies that transcended their immediate interests. Since the 1970s, continuing to the present, I argue, the American corporate elite has descended to an amorphous mass of individual actors, occasionally joining coalitions to advance a particular position, but with no central organizing principle. As corporate power surged beginning in the 1980s, the corporate elite became ever less able to act collectively to address the problems of the age. As business power increased, the organized role of the corporate elite in proposing solutions to the key political issues of the day continued to decline. The business community was increasingly a group with power, but without efficacy.

The business counter-mobilization during the 1970s was not by itself the cause of the disintegration of the corporate elite. Rather, it put into motion the forces that eventually led to this decline. I suggested earlier that the corporate liberal consensus was held in check by three major forces: the state, labor, and the financial community.

During the 1970s and 1980s, each of these forces lost its grip on business. Beginning in the mid-1970s, the business community mounted a largely successful attempt to scale back the role of the state and to reduce the power of labor. The decline of the banks, which happened almost without notice, began in the 1980s.

The labor movement had already begun its slow decline from its peak in the mid-1950s, when 35 percent of the U.S. labor force consisted of union members. It remained a formidable player into the early 1970s, despite union membership having declined to 25 percent of the workforce. As the 1970s progressed, however, labor began to experience a series of setbacks, even during the Carter Administration. Despite a Democratic president and Democratic control of both the Senate and the House, labor was unable to achieve the passage of a bill weakening the Taft-Hartley Act. This bill, the success of which had appeared to be a virtual certainty by labor (and which President Carter had agreed to sign), was defeated in the face of a massive lobbying effort by business (Vogel, 1989). In the first year of his presidency, Ronald Reagan fired the striking air traffic controllers, a move that sent a signal to the labor movement that it did not have a sympathetic partner in the White House. Although the failed air traffic controller strike did not by itself signal the end of the labor movement—union membership at that point had been declining for more than two decades—the labor movement never recovered from this event, as membership continued to shrink. By the turn of the century, union membership had dropped to under twelve percent of the workforce—under ten percent in the private sector—(Mayer, 2004), and the labor movement had been consigned to irrelevance. Whereas during the 1960s, the leaders of major unions were routinely consulted by the press for their views on the major issues of the day, stories about labor in the 2000s were more likely to involve discussions of how the movement can retain what little it has. The jokes, during the summer of 2006, about the whereabouts of James Hoffa's remains, allegedly buried on a farm near Milford, Michigan (according to a tip received by the FBI), reflect the sorry state to which this once powerful movement has been reduced.

The dissolution of state power was less dramatic but no less far-reaching. Significant business opposition to regulation had begun to emerge both during and after the formation of two major agencies, the EPA and OSHA, in 1970 and 1971. Business

was unable to close down either of these institutions, but it was able to prevent the formation of a national consumer protection agency in 1978. After Reagan's election, the EPA and OSHA were rendered all but nonexistent, as enforcement crawled to a standstill. Corporations were unable to repeal the Clean Air Act, but again, enforcement remained lax under Reagan. Although business was not successful in reversing all regulatory efforts, it was successful in propagating a free-market ideology, in which government intervention was viewed as ineffective and counterproductive. The effects of this campaign were so sweeping that even the Democratic Clinton Administration was compelled to emphasize the scaling back of government programs, especially after its one significant effort, health care legislation, was soundly defeated. In the American politics of the early twenty-first century, the mere mention of a new government program to provide social benefits, including one resembling those routinely signed into law under Republican presidents Ford, Nixon, and Eisenhower, would be considered hopelessly radical, and would have no chance of passage even were it, against all odds, to appear on the political agenda.

### **The Decline of the Banks**

Even after the disappearance of the state and labor as moderating forces, one last institution remained: the banks. Bank power had actually risen during the 1970s, as capital became increasingly scarce and nonfinancial corporations became increasingly dependent on external financing. In addition to their control over capital, the banks' role as large institutional stockholders, through their management of corporate pension funds, gave them an increasing amount of influence in corporate decision making, albeit at a general policy level rather than through involvement in day-to-day decision making. The banks, on whose boards of directors sat the heads of several major corporations, provided an arena in which a system-wide orientation could be forged (Mintz and Schwartz, 1985). Mintz and Schwartz argue that the banks even played a mediating role in conflicts across industries.

This situation began to change during the 1980s. Through a series of financial innovations, the most prominent of which was commercial paper (in which corporations borrowed directly from one another), nonfinancial corporations discovered alternative sources of financing, which allowed them to reduce their dependence on banks. Individuals discovered that they could earn higher returns in money market and other financial instruments than in bank passbook accounts. This simultaneous loss of leverage over nonfinancial firms as well as the decline of their deposits (the source of their own capital) led the banks to engage in a series of increasingly risky activities, the most prominent of which were loans to unstable Latin American countries and on long-shot real estate investments. At the beginning of the 1990s, the major commercial banks were in serious trouble. The banks responded to these difficulties by attempting to mimic the behavior of investment banks, which had soared in prominence during the late 1980s in response to the takeover wave of the period. This meant reducing their focus on lending and increasing their emphasis on activities that provided fees for service, including financial advice and instruments such as currency swaps and derivatives (Davis and Mizruchi, 1999).

Commercial banks were still prohibited from participating in securities issues, a holdover from the Glass-Steagall Act of 1933, which required banks to choose between commercial and investment banking. As the 1990s progressed, American commercial banks continued to test the waters, engaging in progressively more investment bank-like activities. The banks justified these actions on the ground that they were now competing in an international arena, with foreign commercial banks that were not subject to similar restrictions. The final prelude to the death of Glass-Steagall was the announcement, in April 1998, that Citibank, the nation's largest commercial bank, planned to merge with Travelers Insurance, one of whose subsidiaries was the investment firm Smith Barney. The U.S. Congress voted to repeal Glass-Steagall in 1999.

As the commercial banks attempted to mimic the investment banks, and as they became less central in the flow of capital to nonfinancial corporations, the commercial banks in effect abdicated their former role as the arbiters of inter-sector disputes. They began to restructure their boards of directors, no longer inviting the CEOs of the largest nonfinancial corporations (or no longer having their invitations accepted). This

development was reflected in the sharp decline in bank centrality in interlock networks, documented by Davis and Mizruchi (1999) for the 1982-1994 period, and reconfirmed by Davis, Yoo, and Baker (2003) for the period through 1999.

### **The Decline of Classwide Rationality**

With the commercial banks no longer playing a prominent role, there was no significant institution capable of imposing internal discipline on the business community. Yet this process did not occur overnight. In a widely-acclaimed study, based on interviews with corporate directors during the late 1970s and early 1980s, Michael Useem (1984) identified the existence of a small group of business leaders, which he termed the “inner circle,” whose organizational affiliations spanned multiple firms and who advocated policies in the general interest of the business community (and perhaps the larger society) as a whole, rather than the parochial interests of specific sectors. Despite some significant differences (described by Judis, 2001), this group, centered at the time of Useem’s study in the Business Roundtable, adhered to an approach not unlike that of the CED in the 1950s and 1960s. Even into the early 1980s, this more cosmopolitan perspective, which Useem called “classwide rationality,” continued to exist. An example of this can be shown regarding the Business Roundtable’s position on tax policy.

President Reagan was elected in 1980 in part on the basis of a promise to enact a sharp reduction in income tax rates. Upon reaching office, Reagan succeeded in convincing Congress to enact an across-the-board ten percent reduction in the personal income tax. Although this tax cut gave disproportionate benefits to the wealthy, who were already paying higher rates and thus received significantly larger reductions, the idea received widespread support from a public that had seen its tax burden increase significantly during the 1970s, as inflation placed people in successively higher tax brackets even as their real incomes failed to increase. At the same time that Reagan enacted significant cuts in personal (and also corporate) income taxes, he mounted an aggressive campaign for increased spending on the military. This combination of tax

cuts and increased defense spending led to the largest budget deficits in American history. By 1983, the federal deficit was nearly three times as large as the largest deficit under any previous American president.

Faced with this unprecedented deficit, leading members of the business community, housed in the Business Roundtable, expressed considerable alarm. During the late 1960s, faced with a deficit during the last year of the Johnson presidency, a bipartisan consensus, with the support of business leaders on the CED, recommended a tax increase as a means of reducing the risk of inflation. In the early 1980s, faced with a much larger deficit, the Business Roundtable similarly concluded that a tax increase was necessary. This could not have been an easy position for the Roundtable to adopt. The tax cuts had been extremely popular, and business as a whole was extremely supportive. The Roundtable leadership was undoubtedly aware that its position would be an unpopular one, and, given its earlier support for extensive tax cuts, this new position was almost certainly the subject of considerable discussion and debate. Ultimately, however, the Roundtable took a stand that its leaders felt was necessary for the economy as a whole, despite the fact that it might have run counter to their individual interests. The Roundtable could have easily argued that the tax cuts should continue to apply to corporations and the wealthiest Americans. Reagan Administration officials had argued for the importance of tax cuts for the wealthy, on the ground that this group was more likely than those with average incomes to invest its savings. Yet the Roundtable chose to take the high road, arguing that the final phase of the tax cut be delayed until the deficit was brought under control (*Wall Street Journal*, 1983). It was a position consistent with the corporate liberal consensus of the earlier postwar period.

The position of the Business Roundtable in the early 1980s stands in sharp contrast to its behavior two decades later, during the administration of George W. Bush. As had Reagan, Bush, early in his tenure, adopted a sweeping tax cut, the benefits of which went disproportionately to the wealthy. As had been the case under Reagan, the Bush tax cuts created a deficit of historic proportions. To exacerbate matters, Bush initiated an expensive Middle Eastern military intervention that further increased the deficit. The situations of the Reagan and Bush deficits are eerily similar. If anything is different, it is the fact that the United States under Bush experienced the September 11<sup>th</sup>

attacks, as well as a war and an energy crisis not unlike that of the late 1970s, the latter of which had largely dissipated by the time Reagan took office. If anything, given the conditions the nation faced, it would have been politically more palatable to have suggested a tax increase, or at least rescinded a portion of the cut, during the Bush Administration.

Unlike its counterpart of two decades earlier (not to mention the CED of the 1960s), the Business Roundtable of the 2000s issued no call for a tax increase. The Roundtable did express grave concerns about the deficit, as indicated by its president, John J. Castellani, in a May 2004 speech to the Detroit Economic Club. Castellani spent several minutes railing against the deficit, but made no mention of the possibility that Bush's tax cut might have been a precipitating cause.<sup>2</sup> In June 2006, the Dow Jones average on the New York Stock Exchange dropped sharply over a two-week period, apparently (as suggested in the business press) as a result of fears of impending inflation. Yet no quarter from any segment of the American business community, not even its leading edge, suggested the possibility that a tax increase, however distasteful, might represent a possible solution to the problem.

What led to this change between the early 1980s and the turn of the century? In addition to the decline of the banks, mentioned earlier, two forces came into play. First, the political victories that business had achieved, both in the period leading up to Reagan's election and during the Reagan Administration itself, reduced the need for classwide organization. Having accomplished their goal of reducing the power of labor and the state, businesses were now free to pursue their own interests. This manifested itself not as corporations coming into direct opposition with one another—as in earlier years, direct interfirm conflict remained rare (Clawson, Neustadt, and Bearden, 1986; Mizruchi, 1992)—but rather in firms going off in different directions, in uncoordinated ways. This is reflected in the corporate response to the Tax Reform Act of 1986, in

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<sup>2</sup> The published version of Castellani's talk, which appears on the Business Roundtable's website (<http://www.businessroundtable.org/newsroom/document.aspx?q=5656BF807822B0F12D5419167F75A70478154>) contains no mention of the deficit. I was in attendance at the talk, however, and remember distinctly the extent to which Castellani expressed deep concerns about the deficit, as well as his silence on the Bush tax cuts as a possible source of it.

which a parade of firms marched into Washington lobbying for amendments to the bill, a process that led to a long list of specific privileges provided to individual firms.

The process of fragmentation was further stimulated by a takeover wave of unprecedented proportions, in which corporate CEOs faced pressures unlike even those faced by corporate leaders in the early 1900s. The willingness and ability to concern oneself with the larger interests of the business community as a whole—the basis of Useem’s inner circle—began to recede as CEOs were no longer certain that they would remain in their positions from month to month. As the inner circle disappeared, a vacuum emerged in the corporate elite. Decisions were now increasingly dominated by institutional investors, who operated to maximize their returns without concern for the larger implications for the business community as a whole (Useem, 1996). Dobbin and Zorn (2005) have argued that financial analysts, those who issue quarterly profit projections, have become the new dominant class. To the extent that this group has any perceived common interests, it is as members of a profession. This group has little in common with the inner circle of Useem’s earlier study, however. The economic turmoil of the 1980s represented the final stage of a process that had been under way since the mid-1970s.

## **A CAVEAT**

It is important to clarify what I am and am not arguing. I am not suggesting that corporations have become less “socially responsible” in recent years than in earlier years. If anything, corporate philanthropic behavior has increased. Corporate charitable contributions are at an all-time high, and have increased continuously over the past decade. A group of more than 40 major firms—the Business Environmental Leadership Council—has publicly stated its support for policies (and taken concrete measures) to reduce the emission of greenhouse gases that contribute to global warming. Bill Gates has spent billions of dollars in world-wide efforts to combat disease, and recently received a \$30 billion gift from Warren Buffett to continue this work. There is no



shortage of individual corporations or individual elites behaving in socially conscientious ways.

My point is that there is no system-wide, organized effort by any leading segment of the business community to address the acknowledged social problems of the age. There is no group that is involved in a coordinated, collective action to address societal problems. The Business Roundtable has formed task forces and issued position papers on such topics as education and global warming, yet these activities have yielded few tangible results. What efforts there are remain fragmented, and are centered entirely in private organizations. Recall the 1971 statement of the Committee for Economic Development. While praising private voluntary efforts, the CED argued that these were insufficient to address the society's problems, that only a business-government partnership was capable of doing this. Virtually no one from the business community is suggesting any state-administered solution to any of the society's problems. The institutional conditions conducive to such an effort no longer exist, a casualty of forces beyond the control of businesses, but also to the actions of the business community itself.

"CEOs MIA" was the title of a 2005 *New York Times* column by Thomas Friedman, decrying the absence of an organized effort by the business community to address a series of significant national issues. As Friedman put it (2005, p. A27):

As a nation, we have a mounting education deficit, energy deficit, budget deficit, health care deficit and ambition deficit. The administration is in denial on this, and Congress is off on Mars. And yet, when I look around for the group that has both the power and interest in seeing America remain globally focused and competitive - America's business leaders - they seem to be missing in action. I am not worried about the rise of the cultural conservatives. I am worried about the disappearance of an internationalist, pro-American business elite.

There is no organized effort by the leading edge of American business to address the energy crisis, global warming, the deficit, or the nation's growing level of inequality. When, as Friedman notes, the government's failure to fund stem cell research triggers no

response from the business community, this suggests a national elite that is incapable of acting in even its own interests.

## **CONCLUSION**

The leading edge of the American corporate elite, represented by what Useem termed the “inner circle,” began to disintegrate during the 1980s as a result of several forces. Among those forces was a decline, largely driven by business interests themselves, in a set of institutions that had helped maintain political unity at the highest levels of the business world. Two of these institutions, a relatively active state and a relatively powerful labor movement, were in part casualties of the corporate political offensive that began in the mid 1970s. A third force, the decline of the banks, was largely inadvertent. The banks’ made a set of conscious decisions to adapt their foci to the changing conditions they faced, but the decline in their role as arbiters of interindustry disputes occurred almost without notice. The final force, the takeover wave of the late 1980s, left in its wake the ruins of what was left of the classwide perspective that had characterized the most prominent members of the corporate elite.

I have argued that a group that experiences political success is likely to experience disarray as a result. The processes described here represent an example of this phenomenon. The American corporate elite had achieved such stunning political success by the early 1980s that there was little left to accomplish. The consequence of this was not interfirm conflict, but rather, fragmentation, as firms went their own ways, pursuing their own interests without regard to the larger consequences for business as a whole. The takeover wave further exacerbated the situation, as firm leaders could no longer be certain of their own tenures as chief executives. This led to a decline of the classwide rationality that had characterized the leadership of the corporate community in earlier years.

There is a possible subtext to my argument, one that I must take pains to clarify, lest I be misunderstood. I am indeed arguing that the American corporate elite has devolved into an ineffective force for the solution of social problems, and that the

corporate elite of earlier decades played a far more efficacious role. At the same time, it would be a mistake to assume an overly romanticized view of the past. The corporate elites of the 1950s and 1960s, and even those of the 1971 CED report, were not altruists. They were acting in terms of their perceived interests. There was no shortage of attempts, by even the most major firms, to weaken labor unions during the 1960s. To the extent that business groups supported tax increases, it was primarily because they saw budget deficits as an even greater evil. Had the corporate elites of that period faced the institutional and political environment faced by those of today, they might have had the same level of disdain for taxes, as well as for governmental solutions to societal problems. My point is, the corporate elites of that period did face a different environment, and this environment affected their own views of what was both desirable and possible. Conditions have changed, and the corporate elite has changed along with them.

There is no shortage of issues that remain to be addressed. At what point did corporations that believed in the permanence of unions begin to question this assumption? Could this questioning be treated as an innovation, and did the idea diffuse along a path similar to those of other innovations? One issue of relevance to this is the extent to which the changes within the corporate elite resulted from metabolic, as opposed to epidemiological, processes. An epidemiological process is one in which the actors experience changes in their own views and/or practices. A metabolic process (Ryder, 1965) is one in which the actors in a particular location are replaced over time through cohort succession. The former assumes that the actors *change*. The latter assumes that the *actors* change. Which of these processes best characterized the changing behavior of the corporate elite has significant implications for both the causes and consequences of the changes I have attempted to document.

Finally, there is one additional factor that requires consideration, an issue that I mentioned in an earlier article (Mizruchi, 2004) but have not addressed here: To what extent has the increased globalization of the world economy in recent decades led American corporate elites to exhibit less concern with specifically American problems? In one sense, this question is ironic, given my argument that U.S. firms have become more self-focused, and thus less “cosmopolitan,” in their outlook. By cosmopolitan I

mean concerned with the larger good rather than with narrow self-interest. I am therefore using the term in a social rather than geographic sense. Following from this, it is entirely possible that a firm could view its interests and concerns as world-wide, yet still operate in a parochial manner. The question remains, however, whether a shift in focus away from the United States has reduced American firms' concerns with domestic social and political issues. Several scholars have suggested, either explicitly or implicitly, that this is the case (Frieden, 1991; Strange, 1996; Cerny, 1997), as well as that it is not (Fligstein, 2001). The question is too complex to address here, although it will ultimately have to be addressed to gain a full understanding of the processes I have posited. I would argue, however, that globalization is not an explanation for the decline of the American corporate elite. Corporations are still based in the United States. Their leaders still live here. And they cannot ultimately count on the support of foreign governments, no matter how hospitable they may have been in recent years. Globalization may have played a role in the American corporate elite's neglect of national social issues. The surge in foreign competition that began in the 1970s certainly played a role in the elite's move away from an accommodationist approach to labor and the state, as I have argued above. The forces that led to the decline in classwide rationality among firms were well under way prior to the globalization of American firms, however.

Is the decline of the corporate elite irreversible? There is no reason to assume that it is. The likelihood of a resurgence of the corporate elite hinges on whether the conditions for such a resurgence exist. Given the fragmentation of business and the lack of classwide rationality, such conditions do not seem to be present. Conditions in the global economy render a return of the labor movement to its earlier prominence unlikely, at least in the near future. Yet there have been similar downturns and upswings in union membership in the past. Any resurgence in the role of the state, in terms of increased regulation, planning, or programs to address social problems, seems equally farfetched. Yet the growth of state intervention in the 1930s could not have been predicted from the conditions in the prior decade, nor, even in the absence of an economic crisis, could the upsurge of state intervention in the 1960s have been predicted from the conditions of the 1950s.

There is no reason to believe that we will see a return to the corporate elite of the 1950s and 1960s any time soon. My point is that if a set of institutional conditions resembling those of that period were to appear, we might indeed witness such a resurgence. In the meantime, it is worth considering the costs, as well as the benefits, of the hollow, fragmented, shadow of the former corporate elite that exists in the contemporary United States.

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